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THE SITUATION IN THE ORIENT

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A. DIPLOMACY CONCERNING THE RYU KYU AND KOREAN QUESTIONS

Scarcely had the new imperial government been organized after the restoration when it found itself confronted with the question of peace or war with Korea and the confirmation or abandonment of the territorial rights of Japan to the islands of Ryu Kyu. When the question of Ryu Kyu came up in 1872, some advocated the maintenance of the status quo for fear of coming into conflict with China and the foreign powers, some of which had already recognized Ryu Kyu as an independent state and had entered into treaty relations with her, others advanced the theory of a joint protectorate, but finally a clear forward policy was determined upon. In September of that year, the new king of Ryu Kyu was ordered to send a member of his family to announce his succession and to congratulate Japan upon the establishment of the new imperial government. When the mission arrived, the king was formally recognized and made one of the peers of the realm. He was invested with the title of "The King of Ryu Kyu Han."¹ The imperial government entrusted to its foreign office the regulation of the diplomatic relations of Ryu Kyu with the powers and guaranteed to keep intact all treaty provisions and assume all obligations arising therefrom. All this was done without consulting China, to which nation Ryu Kyu had also sent tribute up to this time.

Complications with China were brought about when in November, 1871, sixty-six natives of Ryu Kyu were stranded on the coast of Formosa, fifty-four of whom were

¹ "Han" is a term which refers to the territory governed by a feudal lord; it is always affixed to the name of the district.

murdered by Formosan savages. The remaining twelve escaped with difficulty and returned to Ryu Kyu to spread the news. The governor of Kagoshima, Japan, who received the information, notified the central government concerning the incident and asked permission to invade Formosa to punish the savages. Though the government did not consent to this undertaking, the question whether or not Formosa should be invaded was widely discussed throughout Japan. In April, 1873, Japan sent Soyejima, the state minister of foreign affairs, to Peking for the purpose of exchanging the treaty of peace and commerce ratified by the emperor. The government commissioned him at the same time to gain a statement of the relation of the Formosan savages to the Chinese government. The following is a portion of the discussion which took place between Soyejima and the ministers of the Yamen:

S. Japan is going to punish the Formosan savages who murdered the people of Ryu Kyu Han, as these were Japanese subjects. Have you any objection to our sending an army to Formosa?

Y. Ryu Kyu is our tributary state; therefore it is within China's province to afford protection to the people of Ryu Kyu or not as she may see fit. Japan need not trouble herself to avenge our subjects.

S. How are the Formosan savages related to the Chinese authority?

Y. The savages are outside of our control and we are not responsible for their actions.

S. If you are unable to control and punish the savages, Japan will assume a free hand and will probably send troops to punish them. Under such circumstances your government should not have any objections.

On April 18, 1874, General Saigo was commissioned by the Japanese emperor as viceroy over the savage district of Formosa and was sent to Nagasaki with an army of 3700 men with a view of sailing from that place to Formosa. American ships and prominent Americans were employed in order to further the campaign. Before the troops started, the United States government, fearing possible complications with China, declared neutrality and ordered both Americans and American ship-owners to cancel their con-

tracts with the Japanese. The British government also framed a protest regarding the action of Japan concerning Formosa. This forced the Japanese government to alter its plans and make an effort to abandon the Formosan campaign. It ordered Saigo to proceed no further, but he answered, "I was commissioned by the emperor in person; therefore I am under no obligation to obey the central government. If you fear complications with China, you may say that a Japanese general took the matter into his own hands and acted on his own responsibility." Then Saigo ordered five of his ships to proceed immediately to Formosa. When Okubo, who has been delegated to negotiate with Saigo on this point, reached Nagasaki he found that a portion of the army was already en route to Formosa. Thereupon he agreed with Saigo and permitted him to proceed with the remainder of his force. The work of chastisement was effected without difficulty.² All of the eighteen wild tribes³ of Formosa surrendered to the Japanese.

The Chinese government sent a note charging the Japanese with invading Chinese territory, and in September of the same year the Japanese government sent Okubo as special envoy to Peking. He had seven conferences with the ministers of the Yamen but no agreement was reached. He therefore indicated his determination to return to Japan with the view of opening hostilities with China. At this point, Sir Thomas Wade, British representative in China, happily intervened and acted as mediator. Through his good offices, China was finally brought to acknowledge that the Japanese invasion of Formosa was justifiable, and to pay an indemnity amounting to 5000,000 Taels.⁴ As China requested that the army be withdrawn from Formosa, as soon as the indemnity had been paid in full, Okubo called

² The Japanese lost only twelve men in the engagement, but during the period that the army was stationed in Formosa, six or seven hundred died of malaria fever.

³ There were two kinds of savages in Formosa; those under the control of the Chinese, known as the "Ripened Savages," and those beyond the pale of its influence, the "Raw Savages."

⁴ The value of a tael is: from 60 to 70 cents and of a yen, 50 cents in U. S. coin.

in at Formosa on his way home and returned to Japan in November with Saigo and his army.

The first article in the treaty concluded between China and Japan on this Formosan question stated that what Japan had done in Formosa was a righteous action; therefore China had nothing to say against it. In this campaign, Japan spent 7,800,000 yen while her indemnity amounted to less than one-fifteenth of that sum. However, by paying thus dearly, she had gained two diplomatic victories:

1. The position of Ryu Kyu was clearly defined as a tributary state of Japan.

2. In order to show respect for the power of Japan, the French and English armies which had been stationed in Japan at Japanese expense for the protection of the lives and property of French and English subjects, were withdrawn shortly after the Formosan campaign.

In the following year, 1875, the Japanese government sent a special envoy to Ryu Kyu prohibiting the king to use the Chinese calendar or to send further tribute to China. Although the king of Ryu Kyu and his subjects strongly protested against this action of the Japanese, stating that Ryu Kyu had recognized China as the "Father of Nations" for many centuries, Japan carried her point by strong pressure and threats. The way was now open for her to take the final step, and five years later, 1879, notwithstanding the protest⁵ of China, she annexed Ryu Kyu as a Japanese province.

Although the suzerainty of China over Korea was well-established, while Japan had not only been shorn of all power in the peninsula after her inglorious defeat in 663 A.D. but had also recognized Korea as her equal in the treaty of peace after the war of 1592-1598, the Japanese government, discerning that China was too weak to protect the interests of Korea against the encroachment of European powers, wished

⁵ The protest of China remained unadjusted until the Chino-Japan war, when it automatically disappeared as Japan then extended her dominion further south by acquiring Formosa and the Pescadores. During his tour of the world, General Grant had attempted to settle the question but China would come to no agreement.

to have the Korean position clearly defined in order that no Western nation might lodge therein and become a dangerous neighbor. China had practically denied her suzerainty in 1866 when the French demanded reparation for acts committed by the Koreans, and again in 1871, when the Americans made a similar demand, by requesting these nations to deal with Korea directly.

Upon the restoration of Imperial authority in 1868, Japan had sent a letter to Korea informing her of the administrative change and asking that "sincere neighborly friendship" be continued between the two countries. However the Korean government had not only refused to acknowledge the letter but had posted notices in its principal seaports informing its people that as Japan had recently become a lawless nation, they were strictly prohibited from having any intercourse with her subjects. When this action of Korea became known in Japan, public sentiment ran high and it was thought in government circles that steps should be taken to punish her for the insult. However, wishing to ascertain the exact relation of the Chinese government to Korea before making any move, the Japanese government inquired of her whether Korea were her tributary state, and upon receipt of a negative answer had almost decided to invade Korea when it was dissuaded from so doing by the members of an embassy which had been sent to Europe and America to study the administration and civilization of the West and who returned just in time to save their country from plunging into a useless war.

In 1875, however, the firing by a Korean fort upon some Japanese sailors who had landed for water, afforded Japan an opportunity to reopen official relations with the Korean government. In 1876, a treaty of amity and commerce was concluded with Korea on equal terms. In this treaty Japan forced Korea to permit herself to be recognized as an independent nation, and in spite of the earnest protests of Korea the suzerainty of China was ignored.

The wresting of this treaty from Korea was a distinct triumph for Japanese diplomacy, for it was not only the first treaty ever concluded by Korea with a foreign power

but it placed Japan in a position to treat with her as an independent nation. Korea, however, did not seem to grasp the meaning of such a treaty and she continued to look to China for advice and succor, while the latter, although willing that treaties should be made with what she termed her "Outpost State" could not bring herself to loosen entirely her hold upon her long-time vassal.

Nevertheless, Japan had taken her first step and in 1882, after a riot in which some Japanese subjects were killed, she took a second by forcing Korea to sign the Treaty of Chemulpo by the terms of which Japanese soldiers might be stationed in Korea for the protection of Japanese life and property at the expense of the Korean government. In 1884, further internal troubles in Korea during which the Japanese legation was burned and several Japanese were killed, caused the landing of large armies on Korean soil by both China and Japan. But again diplomacy triumphed and on April 18, 1885, Count Ito of Japan and Li Hung Chang of China, the two foremost statesmen of the Orient, concluded a convention known as the Tientsin Treaty, by which matters were adjusted. According to the provisions of this treaty, both China and Japan agreed to withdraw their troops from Korea and to send no more thither without giving previous notice to the other power. Thus the third step was taken, for although by the terms of the treaty of 1876, Korea had been declared an independent nation, China had not even been notified that the agreement had been made. As a matter of fact after the conclusion of the treaty of 1876, most of the European nations as well as Korea herself recognized the suzerainty of China over her. But by the Tientsin Treaty, Japan established her position in Korea and placed herself on an equal footing with China.

Now that a definite agreement had been signed, Japan retired temporarily from the political field in Korea, leaving it entirely in the hands of China. With ever-watchful eye, she waited patiently for the time when she might have opportunity to put her newly acquired rights to the test. China, on the other hand, continued to take an active interest in Korean affairs, and her representative, Yuan Shih

K'ai, was practically the power behind the Korean throne until the outbreak of hostilities with Japan in 1894.

The Tong-Hak rebellion of 1893-1894 furnished an opportunity to test the strength of the Tientsin Treaty. When Yuan Shih K'ai found that the Koreans were unable to cope with the Tong-Haks unaided, he advised the puppet king to apply to Peking for aid. This was done and in response the Chinese government landed troops on June 7, 1894 and afterwards notified the Japanese legation in Peking that she had sent troops to restore order in her "tributary state." Thus did China in plain words and in the face of the treaty, reassert her ancient claims of sovereignty over Korea. Declarations of war were published by both nations on the same day, August 1, 1894, China was defeated on both land and sea, Port Arthur fell in November, Wei-hai-wei in January of the following year, and the war was terminated by the signing of the Treaty of Shimonoseki, April 17, 1895. By one of the provisions of this treaty, China recognized the complete independence of Korea and abandoned all her former pretensions.

Japan's hope was now to maintain Korea as an independent buffer state, for from a strategic standpoint, Korea was to the Japanese Empire as a spear pointed at her heart, and any instalment of a strong hostile power on the other side of the straight might have proven a death blow to her independent existence. Japan also desired Korea as a market for her products and as a field for colonization. She would have been satisfied to assist Korea in maintaining her independence and in building up a strong internal administration had the latter been able to rise to the occasion and show herself capable of standing alone. Instead, however, Korea began immediately to intrigue against Japan, and not many months after Japan had driven China from the peninsula, she was compelled to stand aside and see the vacated shoes of China occupied by Russia, a power vastly more formidable and one whose connection with oriental affairs was of comparatively recent origin. Japan now sought the coöperation of Russia in maintaining the independence and integrity of Korea, and to this end the Yamagata-Lobanoff

Protocol, by the terms of which Russia was placed on an equal footing with Japan in Korea, was concluded in June, 1896. But no sooner had Russia entered into the agreement than she proceeded to violate its provisions. As it became more and more evident that Russian absorption of Korea was merely a matter of time, Japan made another effort to stay Russian encroachment, and by the terms of the Nishi-Rosen Protocol, signed in 1898, it was stipulated that while both Powers were to recognize the entire independence of Korea and to abstain from all interference in her internal affairs, Russia should recognize the supreme nature of Japanese enterprise in Korea and should not impede the development of the commercial and industrial policy of Japan in the peninsula. But all these pledges and agreements were of no avail, and five years later the provisions of these two protocols became the conventional ground for Japan's direct negotiations with Russia, which preceded the Russo-Japan war in 1904-5.

This war left Japan in a position to act with a free hand in Korea, and she now attempted once more to maintain the independence of Korea and to help her set her house in order. In 1904, when the Russians in Manchuria were retreating before the onslaught of the Japanese, a protocol had been concluded with Korea in which the government at Seoul promised to adopt the advice of the Tokyo government in regard to improvements in administration, while the latter pledged itself "to insure the safety and repose of the imperial house of Korea" and "to guarantee the independence and territorial integrity of the realm." In pursuance of this principle, advisers were sent to Korea, and Japan spared no pains in urging upon the Korean government the necessity of administering the affairs of government in accord with modern principles. But the venality and supineness of the Korean officials had become such that no amount of good advice was of any avail. Instead of endeavoring to improve the conditions of their own country, they foolishly conspired to subvert the new order of things by invoking foreign assistance. In November, 1905, it therefore became inevitable that Japan should assume con-

trol of the foreign affairs of Korea. By the terms of this treaty a resident-general was invested with power to direct all foreign relations of the country, but no change was made in the internal administration. The Korean emperor and officials still enjoyed initiative power and were at liberty to adopt or reject Japan's advice as they might choose. But this arrangement was also doomed to failure, and when in 1907, it became known to the Japanese that Korea had secretly sent delegates to the Hague conference with the hope of embroiling her in international complications, public opinion in Japan reached a high degree of excitement. The sending of these delegates was clearly a violation of the treaties of 1904 and 1905, and Japanese newspapers were quick to suggest that the Korean sovereign had by this act converted into a dead letter the provision relating to the preservation of the Korean throne. They urged that Japan should now plant her foot firmly in the peninsula, there being no safety in half-way courses. In Korea there was great suspense, and as both the cabinet ministers and the elder statesmen advised it, the emperor abdicated in favor of the crown prince on July 19, 1907. But Japan wanted actual power rather than the abdication of the emperor. On the 24th of the same month, she therefore wrested from Korea a new treaty which gave the resident-general control over the internal administration as well as of the foreign affairs of the nation.

Japan gave to the work of reforming the domestic affairs of Korea her foremost statesman, Marquis Hirobumi Ito, who after two years of patient and arduous labor, even after he had succeeded in conciliating the court, in silencing the opposition, and in evolving some order out of chaos, felt convinced that complete annexation was the only solution of the problem. In July 1909, this venerable statesman resigned, and was succeeded by viscount Sone who endeavored to continue his policy. However, it was daily becoming more clear to both Japanese and Korean statesmen that in order to put an end to the unrest in Korea and advance the true interests of the nation, annexation must be resorted to. The annexation was hastened by the sad event of the

assassination of Prince Ito at Harbin by a young Korean in October, 1909. He was greatly mourned in Korea and many of the leading politicians of that country urged immediate annexation. The Japanese government, however, considered the time inopportune and it was not until August, 1910, that the change was effected.

Briefly reviewing the causes why Japan was forced to annex Korea after a struggle of more than three decades to secure to her either complete or partial independence, we see:

First and foremost, that the Korean people had proven themselves unable to maintain their own independence and that the geographical situation of the peninsula made it imperative that Japan should permit no foreign power to intrench itself therein; second, that by taking complete control of Korean affairs, Japan eliminated one of the most fruitful sources of disturbance in the Far East; and third, that in order to promote the welfare and prosperity of the Korean people, it was essential that Japan consolidate Korean interests with her own.

B. THE OUTLOOK OF JAPAN IN KOREA AND CHINA

In the war of 1894-1895 by the acquisition of Formosa, Japan extended her dominion toward the south, and in 1910 she annexed Korea. Now the question is whether her future expansion shall be in a northerly or southerly direction. Expansion toward the south would of necessity be commercial rather than political, because the Philippines, Borneo, Java, etc., belong either to the United States or to European nations and it is not her policy to attempt expansion where she will have a Western nation for a rival. Furthermore, as her independent existence is not threatened from that direction, territorial expansion to the south would be of no great advantage to her.

However, the situation with regard to expansion in the north is entirely different, and during the past quarter of a century it has been the national policy of Japan to expand in that direction politically as well as commercially. To this end, billions of dollars have been spent and hundreds of thousands of lives have been sacrificed. Nevertheless,

Japan is at present just beginning the work of establishing herself on the continent. Although it is true that Korea has been annexed and has become a part of the Empire politically, yet the Korean people are far from being cheerful subjects. A vital question is whether by just and beneficent administration, she will be able to so win the loyalty of these people that they will coöperate in furthering her expansion upon the mainland.

Although Japan has given a very plausible reason for changing her policy from the maintenance of the independence of Korea to that of complete annexation, this explanation is not acceptable to the mass of the Korean people. For three centuries, the Koreans had been warned by their ancestors, generation after generation to beware of the chicanery and untrustworthiness of the Japanese. The story of the cruel and destructive war of Hideyoshi is a legacy from their forefathers which has become so deeply imprinted upon their hearts that hatred for Japan seems to have been bred in their bones.

When in 1876, unaware of the weakness of her suzerain, Korea was peacefully reposing under the protection of China, Japan took the initiative and forced her to declare herself an independent nation. Again, during the period between the Chino-Japan and the Russo-Japan wars, Japan many times guaranteed the independence and integrity of Korea, especially in the treaties exchanged on July 23, and August 26, 1894. Again on February 23, 1904, just thirteen days after the declaration of war with Russia, a treaty was exchanged between Japan and Korea in which the independence of Korea and the perpetuity of the imperial house were guaranteed. In return, Korea practically became the silent partner of Japan as she engaged to afford her every facility in the prosecution of the war. In November, 1905, two months after the conclusion of peace with Russia, Korea was suddenly notified that from that time forth she would be a protectorate of Japan, that all future diplomatic relations must be carried on through the Japanese foreign office, and that therefore she might no longer either receive foreign envoys or send her representatives abroad. As Korea had been under the military control of Japan during

the war and had thus been deprived of freedom of action, there was no excuse from a Korean point of view for Japan's change of program in making her a protectorate instead of maintaining her independence according to treaty stipulations. Japan justified her change of attitude on the grounds that the weakness of the Korean government, the corruption of her officials, and the underhanded methods of her sovereign rendered it impossible for her to maintain peace in the Orient without assuming control over Korea. However, Korea could not see things in this light, and when the Peace Conference met at the Hague in 1907, she made an effort to throw off this unwelcome protectorate by sending envoys thither. Although the said envoys were refused admission, when the news of the errand reached Japan, the latter brought such pressure to bear upon the unhappy nation that her emperor was forced to abdicate, and the right of appointing all Korean officials except the Cabinet ministers was transferred to the Japanese resident-general. In 1909, the judicial and police power was also transferred to the Japanese, and the final annexation was consummated in 1910.

In view of these facts it is but natural for the Korean people to regard Japan as a trickster and to honestly believe that when she took her first step in 1876, she was definitely contriving to make their fertile peninsula a part of her empire. Korean hatred for the Japanese has been so increased by these events in which the warnings of their ancestors have come to a sad realization in the loss of their nationality that no amount of kindly treatment can for some generations entirely obliterate it and make them willing to work together with their ancient enemies for the aggrandizement of the empire.⁶

⁶ As the Japanese and Koreans are practically of one blood, many scholars and statesmen take it for granted that it will not be difficult for Japan to assimilate the Korean people, but a recent uprising in Formosa serves to furnish some idea of the task that lies before Japan in the winning of Korea. The Chinese in Formosa, after having lived under the splendid administration of Japan for a period of nineteen years, recently planned a rebellion on a grand scale to overthrow the Japanese authority, with the hope of joining themselves to the Chinese Republic.

While the outlook of Japan in Korea is thus so unpromising, her relations with China are in nowise more hopeful. Prior to the Russo-Japan war, Russia had obtained full control in Manchuria and had even tried to extend her influence to a point where the integrity of China was threatened. Therefore, Japan after having driven Russia from Southern Manchuria and thus enabled China to regain her sovereignty, felt certain that she had conferred a great benefit upon China and that gratitude was due her. But China saw things differently. After the war, all concessions that had been granted to Russia including the lease of Port Arthur, the franchise of the Manchurian Railway, the mining privileges, etc., were transferred to Japan. China did not profit in any way by the result of the war even though throughout its duration she had lent her moral support to Japan, and many individual Chinese had manifested practical sympathy in the way of substantial contributions. When the war was over, it became apparent to the Chinese that Japan had merely supplanted Russia and would utilize what she had gained for her own aggrandisement. This caused China to believe that Japan had gone to war with Russia for her own selfish ends, and that for the sake of gaining sympathy and placing herself upon the pedestal of a philanthropist, she had proclaimed to the world that she was fighting to maintain the integrity of China and Korea. This difference in the view point of the Japanese and Chinese inevitably constitutes an obstacle in the way of further diplomatic relations.

Nevertheless, in spite of her unfriendly attitude toward Japan, China could not refrain from recognizing her strength and marvelling at the progress she had made in western civilization. Therefore, immediately after the war, being desirous of following in the footsteps of Japan, she sent large numbers of students thither to be educated. It is recorded that at one time there were as many as sixteen thousand in Tokyo. After a brief period of residence in Tokyo, most of these students became revolutionists as they were imbued with the ideas of democracy through the reading of translations of western literature. When the Chinese government

finally awoke to the fact that Tokyo was a hot-bed of rebellion, numbers of the students were recalled, but it was too late. Dr. Sun Yat Sun, who had been touring Europe and America, had visited Japan three times and had united the Chinese with revolutionary inclinations into a strong party under the name of the Chung Hwa Revolutionary Union, with the view of driving the Manchus from the throne of China. From this union, revolutionary organizers went to different parts of the interior of China and gained adherents to the cause. Although, owing to the lack of trained men and the difficulty of smuggling weapons into the country, the first uprisings were unsuccessful, the revolution started in 1911, resulted in the driving out of the Manchus. Thus did the enlightenment of Japan contribute indirectly to the freeing of China from the despotism of a foreign dynasty that had retained a firm grip for more than two and one-half centuries.

C. PROSPECTS OF JAPAN IN THE TWENTIETH CENTURY

The twentieth century has brought about great changes in the political features of the Orient. The kingdom of Korea no longer exists. China, the oldest of the world's empires, has become a republic. Japan has received full recognition as a great world power. However, none of these changes are yet firmly established. Although Korea has become an integral part of Japan politically, perhaps a century or more may elapse before her people become thoroughly assimilated. The future of China is also quite uncertain and it is difficult to say whether she will remain as a single republic, again become an empire, or be divided into a republic in the south and an empire in the north. When Japan emerged a victor in the war of 1904-1905 and was recognized as a world power, she was highly elated. But at the present time she is beginning to realize that this recognition is simply an empty name and that it gives her no real power.

The Korean and Ryu Kyu problems were those that vexed Japan when she entered upon her new era of national existence after the restoration in 1868, but these dwindle

into insignificance when compared with the problems that confront her today. Foremost among the latter are how she can adjust her relationship with Russia on the one hand, and on the other, how an understanding can be arrived at with regard to the various difficulties that have arisen between her and the United States. In addition to these great foreign problems, there are many things at home which require attention, chief among them being:

First, the elevation of the position of woman, both legally and socially.

Second, the differentiation of patriotism from religion in a way that will not make the two mutually exclusive, as at present, and the adoption of some religion which will place both public and private morals upon higher planes.

Third, the discovery of some solution for her financial situation, the condition of which is at present rendered extremely critical by the facts that: (a) her national debt is almost overwhelming; (b) her taxation is exceedingly heavy; (c) the balance of trade is against her.

The history of New Japan, during the half century since the restoration is divided into two parts, and the year 1895 constitutes the dividing line. During the first period, Japan so improved and developed her domestic affairs that she became a strongly unified nation. During the second, she used this power to promote her imperialism and to finally establish herself as a world power. For this she has paid most dearly in that she has thereby exhausted her financial resources in the following ways:

1. Cost of the Chino-Japan war in 1894-1895.....	233,000,000
2. Cost of the Boxer uprising in 1900.....	23,000,000
3. Cost of the Russo-Japan war in 1904-1905.....	1,984,000,000
4. Money spent in Formosa in its pacification and internal improvement since its acquisition in 1895.....	1,460,000,000
5. Money spent in the assumption of the national debt of Korea and for internal improvement therein since its annexation in 1910.....	1,320,000,000
6. Money spent for the expansion of the army since 1895.....	1,601,000,000
7. Money spent for the expansion of the navy since 1895.....	4,850,000,000
Total.....	11,471,000,000

Although Japan possesses a well-equipped army and navy at the present time, she sadly lacks the financial strength necessary to make effective use of them in enforcing her protests against the acts of other nations. With the expansion of the army and navy, came increased cost of maintenance. That of the army increased from 14,700,000 yen in 1895 to 98,000,000 in 1913, while that of the navy increased from 8,600,000 yen to 97,000,000 during the same period. The national budget naturally shows a corresponding increase. In 1895, the total budget was 94,500,000 yen while in 1913, it had increased to about seven times this amount or to 590,000,000 yen. The foreign and domestic loans, which amounted to 267,000,000 yen in 1914, have increased to 2,748,000,000 yen in 1914, or nearly 1100 per cent.

The annual interest that Japan pays on these loans amounts to 122,759,222 yen. This consumes a little more than one-fifth of the total income. The national debt of Japan is so enormous that if its sum were divided by the total population of the country, counting every man, woman, and child, the proportion for each individual would be 49 yen. Although 49 yen is but a small amount from the financial view point of America, it is large in Japan where the average monthly income of an able-bodied Japanese is only about 21 yen. By way of comparison, if we assume the monthly income of the head of the average American family to be \$100, this 49 yen would be equivalent to a debt of \$235 for each member of the family.

To make matters worse, in addition to the fact that Japan annually pays the interest on the foreign debt in gold, the balance of trade is also against her. For the past seven years, her annual imports have exceeded her exports by nearly 100,000,000 yen. In these two ways, therefore, Japan is steadily being drained of her gold by foreign countries, and unless something is done to offset it, the probability is that ere long no gold will be left. In 1912, the number of yen exported was 168,200,000, and in 1913, it reached 182,750,000. While gold is thus being continually sent out of the country, there remains at present only 371,000,000 yen in the Empire.

But three ways suggest themselves in which this serious financial problem can be coped with:

First, by the increase of the exports and the decrease of the imports of the country. This is vigorously advocated in Japan at present, but the people do not put it into practice. After the war with Russia, the Japanese became possessed of an inordinate desire for western things which it is difficult to curb.⁷

Second, there is a movement on foot to decrease the army and navy. While this suggestion is very practical, yet so long as the Russian and American questions are still to be dealt with and so long as China is in such an unsettled condition, the majority of the Japanese consider that a decrease in the military and naval forces at present would endanger the national prestige so dearly bought.

Third, the expansion of her foreign trade into new fields. This is a natural method in which Japan places great hope. She looks toward China and toward South America as the two fields wherein she may reap abundant harvests.

Since the war with Russia, Japan has made strenuous efforts to develop her commerce with China. Her geographical advantage, together with the facility with which the Japanese are able to master the Chinese language make it possible for Japan to compete successfully with both America and the nations of Europe. Although of late years her commerce with China has wonderfully increased in comparison to that of other nations, its growth has been far below her expectations. Not only is her commercial expansion in China hindered by strained political relations, but her lack of financial influence in that country also places her at a disadvantage. Of the total national debt of China today, which aggregates more than 1,700,000,000 yen, she has borrowed 575,000,000 yen from England, 320,000,000 yen from Germany, 300,000,000 yen from France, 171,000,-

⁷ The buying of automobiles may serve as an example of Japanese extravagance. Although the streets of most of the cities in Japan are so narrow and crowded that autos can be used to no great extent, machines to the amount of 3,000,000 yen were imported in 1913, and statistics show a steady increase.

000 yen from Belgium, 121,000,000 yen from Russia, 100,000,000 yen from the United States, and 81,000,000 yen from Japan.

Therefore, England carries 35, Germany 19, France 18, Belgium 11, Russia 7, and the United States 6 per cent of the Chinese loan, while Japan's share is less than 5 per cent. From the above list it is apparent that the United States and Japan have the least financial influence in China. However, the loan of the United States is increasing while Japan has not the wherewithal to increase hers; and from present indications, it seems that until her political and financial influence in China become more pronounced, her commercial progress in that field will be hampered.

To Japan, the maintenance of the integrity of China and the establishment of a strong central government therein are matters of supreme importance. The financial situation of China is even more critical than that of Japan because the question of her partition may arise at any time. In such event, nothing but the military superiority of Japan could prevent the European nations from appropriating parcels of Chinese territory. It therefore seems that the only solution of the problems which now confront these two great Oriental nations lies in the possibility of the utilization of the wonderful natural resources of China for the economic relief of Japan, and of the military strength of Japan for the protection of China.